



# San Diego City Attorney **MICHAEL J. AGUIRRE**

## **NEWS RELEASE**

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**Communications Division (619) 235-5725**

### **PENSION EXPERT'S CONTRACT DENIED TO AGUIRRE BY TWO COUNCILMEMBERS WHO HELPED CREATE THE CITY'S BILLION DOLLAR PENSION DEBT**

**San Diego, CA**—San Diego City Councilmembers Scott Peters and Jim Madaffer, both of whom supported a scheme in 2002 to underfund the City's pension system, voted today to deny the City Attorney the assistance of an outside pension expert who has helped Aguirre untangle the intricacies of a pension plan that is over \$1 billion in debt.

City Attorney Michael Aguirre sees it as retribution for exposing the massive pension debt and the deals certain councilmembers made with union leaders in 2002 that resulted in increased pension benefits without adequate funding.

"This vote only highlights how the City Council is still controlled by those members responsible for the City's financial crisis and their continued efforts to prevent the public from knowing the facts," said Aguirre. "Contrary to his website pledge to 'make sure the public is kept well informed' regarding the pension fiasco, the actions of Councilmember Peters do not back up his words," added Aguirre.

The issue before the City Council was to renew the contract of the firm Actuarial Service Company, P.C. which has provided assistance to the Mayor and City Attorney under a joint contract over the past year. Its president, Joseph Esuchanko, has expertise in evaluating the actuarial soundness of private and municipal retirement systems.

At the request of Council President Scott Peters the proposal was split into two separate votes, one to provide actuarial services for the Mayor's office and one for the City Attorney's Office. Only the proposal for the Mayor was approved. Although Esuchanko will continue to provide services for the City, all information will be filtered through the Mayor's Office.

In 2006, the U.S. Securities and Exchange Commission (SEC) charged the City of San Diego with the largest municipal securities fraud in U.S. history by not disclosing to investors the massive, intentional underfunding of its employee pension and health care plans.

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The SEC concluded that the City of San Diego, through its officials, acted with scienter, which is “a mental state embracing intent to deceive, manipulate or defraud.” In imposing sanctions against the City, the SEC concluded that the City of San Diego violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 which prohibit misrepresentations or omissions of material facts in the offer or sale of securities.

To view the November 14, 2006, SEC settlement with the City of San Diego, visit [www.sandiegocityattorney.org](http://www.sandiegocityattorney.org), click Significant Reports and Legal Documents.

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